Groupon Trims 3Q Loss, Revenue Lags Street View

Associated Press

CHICAGO (AP) — Groupon Inc. whittled its losses during the third quarter, but weak revenue growth underscored the challenges facing the online daily deal service as it tries to morph into a more comprehensive destination for Internet bargain hunters.

As part of its expansion efforts, Groupon announced Thursday that it is buying Korea-based Ticket Monster from its daily deal rival Living Social for $260 million in cash and stock. The deal provides Groupon with a springboard for selling more products and travel packages in Korea.

"We're pleased with our progress, but we still have work to do as we transform the business from our daily deal email roots to a full e-commerce marketplace," said Groupon CEO Eric Lefkofsky.

The stock rose 5.3 percent to $10 in extended trading Thursday.

Lefkofsky is trying to train Groupon's 43.5 million customers to regularly check for deals on their mobile devices whenever they are about to buy something, rather than waiting for an offer to be emailed to them each day. That effort is beginning to bear fruit in North America, where more than half of all Groupon's third-quarter purchases were completed on smartphones and tablet computers.

The results announced Thursday came out shortly as the stock of another young Internet company, Twitter Inc., surged to a 73 percent gain to end its opening day of trading with a market value of $31 billion despite a history of uninterrupted losses.

Like Twitter Inc., Groupon once was considered to be a hot commodity among investors looking for a piece of rapidly growing companies with large audiences.

Despite questions about the company's ability to make money, Groupon ended its first day of trading two years ago with a market value of $17 billion. The fears about Groupon's turned out to be justified. As its growth stalled and losses mounted, Groupon replaced co-founder Andrew Mason as CEO earlier this year. Since Mason left in February, Groupon's stock has more than doubled, but remains well below its initial public offering price of $20. Groupon's market value Thursday: About $6 billion.

The Chicago company lost $2.6 million during the three months ending in September, compared with a loss of $3 million at the same time last year. On a per-share basis, that translated into break-even for both quarters.

If not for expenses for employee stock compensation and charges for past acquisitions, Groupon said it would have earned 2 cents per share. That figure was a penny above the average estimate among analysts surveyed by FactSet.

Revenue rose 5 percent to $595.1 million, short of analysts' projection by $20 million.

Groupon is counting on the holiday shopping season to boost its revenue during the current quarter ending in December, to $690 million to $740 million. Analysts predict $725 million. It expects adjusted earnings to range from break-even to 2 cents. Analysts predicted profit of 6 cents.

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